Issue 35

800 N. Kings Highway
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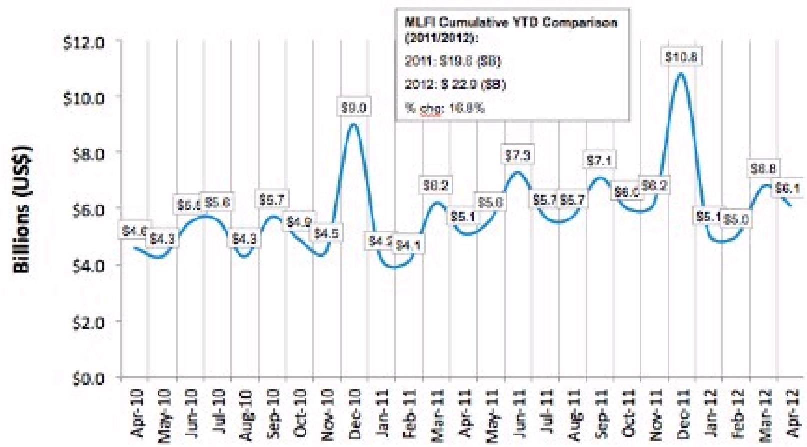
LEASING & FINANCE UPDATE

JUNE 2012

APRIL NEW BUSINESS VOLUME DOWN 10%



MLFI-25 New Business Volume - April 2012

The Equipment Leasing and Finance Association's (ELFA) Monthly Leasing and Finance Index (MLFI-25), which reports economic activity for the $628 billion equipment finance sector, showed overall new business volume for April was $6.1 billion, up 20% from volume of $5.1 billion in the same period in 2011. Volume was down 10% from the previous month. Year-to-date cumulative new business volume is up 17%.

Receivables over 30 days decreased to 2.7% in April, down from 2.8% in March, and down by 18% compared to the same period in 2011. Charge-offs decreased to 0.6%, down from 0.7% the previous month, and down by 25% compared to the same period last year. Credit approvals decreased to 76% in April from 78% in March with 76% of participating organizations reported submitting more transactions for approval during April, up from 67% in March. Total headcount for equipment finance companies in April increased 0.7% from the previous month, and was down 4.1% year over year, with the construction and trucking industries leading the underperforming sectors.

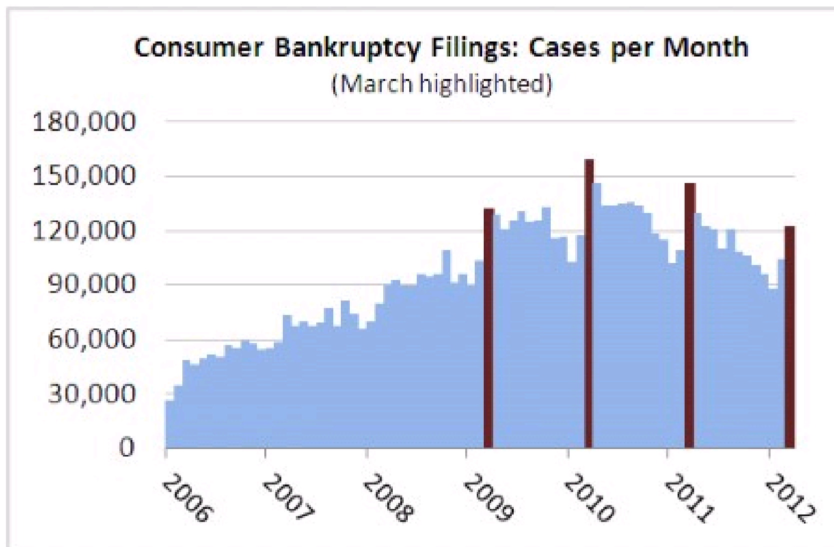
Separately, the Equipment Leasing & Finance Foundation's Monthly Confidence Index for May is 59.2, down slightly from the April index of 62.1, reflecting uncertainty about the pace of U.S. economic growth and concerns about global political and economic factors.

ELFA President/CEO William G. Sutton said: "April's new business volume and credit quality metrics appear to provide evidence that the equipment finance sector continues to gain momentum. (Additional) information supports the observation that the demand cycle for capital equipment parallels the broader economy in that both continue to strengthen, albeit slowly."

Source: ELFA

ELFA MLFI-25 Aging Receivables - April 2012

MARCH BANKRUPTCY TREND DATA



This quarter, InsideARM looked at using consumer filings in March as a predictor for total annual filings. March tends to the single month that sees the highest numbers consumer bankruptcy filings. Or, at least, it has been for the past three years. Many factors could explain the March spike, accumulated debt overhang from the holidays, for example. But the main driver seems to be consumers using tax refunds to pay the fees required to file.

A LexisNexis analysis of bankruptcy data supports this. The specific type of bankruptcy filing that spikes in March is Chapter 7 with no assets, the most common type of consumer filing. Other types of filings are flat throughout the year. In "no asset" cases, a consumer does not have nonexempt assets to liquidate, so there is a strong likelihood that they would not have means to pay a filing fee.

We can look at March 2012 filings as a predictor of where total 2012 filings might end up. In the graph above, it is obvious that March filings have been declining since 2010. As have total-year filings. In 2011, March filings were 8.1% lower than the same month in 2010, and full-year filings for 2011 were 10.9% lower than in 2010. In March 2012, there were 16.6% fewer filings than in March 2011. Can we expect a similar drop for the full year? So far in 2012 through April, total bankruptcy filings are down 13%, so we're on our way.

Source: InsideARM

SURVEY: 90% OF BANKS MULLING OVERHAUL

Soul-searching is Job 1 at a lot of banks. That's the takeaway from a KPMG survey of more than 100 bankers. 90% of banks said that they have re-examined, are in the process of re-examining or will re-examine their operating models, according to the results. Banks are rethinking everything from who their customers are to how they reach them and the products that they will offer, said Brian Stephens of KPMG. New regulations and a struggling economy would seem to demand big changes, but banks are often accused of clinging to the past.

40% of respondents said that asset and wealth management would be essential to expand revenue over the next few years. Banks are also beginning to focus on the underbanked. Stephens estimated that there are roughly 90 million consumers who do little or no business with traditional banks. A fifth of respondents said that those consumers presented the greatest growth opportunity.

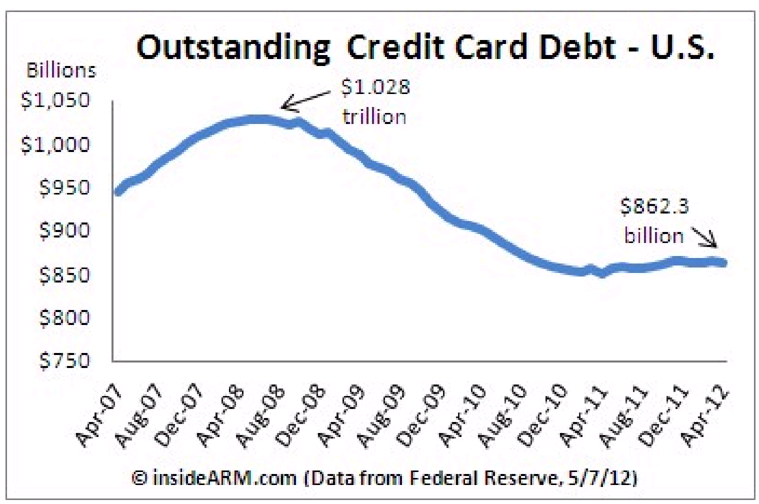
To be successful in these areas, banks will need to sharpen their relationship-building skills and get better at selling multiple products to customers. Traditionally banks have struggled with cross-selling, though 42% of respondents said this strategy would drive revenue growth in the coming years.

Banks are also rethinking how they reach customers, the survey found. 38% of respondents said they would invest the most capital in mobile banking and payment platforms for mobile devices, while 23% said they would concentrate on online banking platforms. 24% of respondents plan to invest the most in purchasing more branches.

As more people complete transactions remotely through mobile devices and online, banks are rethinking "the need for that real estate space," Stephens said. He predicted that banks will turn branches into more of a sales channel rather than a service one because, he said, it is uncertain how much loyalty technological interactions command.

Source: American Banker

CREDIT CARD DEBT FALLS IN APRIL



Total consumer credit card debt outstanding fell in April as overall consumer credit rose, according to data released by the Federal Reserve. The data also included significant revisions in the historical figures for consumer credit. The Fed said in its monthly consumer credit (G.19) report that credit card balances outstanding fell at an annualized rate of 4.8% in the month, or by $3.4 billion. The drop in April followed a sharp increase in March, which was revised by the Fed to show a 5.1% gain.

Non-revolving debt, mostly comprised of student and auto loans, increased in April at a 7.1% annual rate. This pushed overall consumer credit for the month up at a 3.1% annual rate. The Fed also noted significant changes to its current and historical consumer credit figures. The revisions reflect improvement in methodology and a review of the source data. The result added more than $50 billion to monthly credit card balances outstanding. For example, the total credit card debt outstanding in March was originally reported as $803.6 billion. With the revisions, the March total is now $865.7 billion. April's figure was $862.3 billion.

The revisions pushed the peak credit card debt outstanding figure up over $1 trillion. In July 2008, consumer credit balances hit $1,028 billion, the highest total recorded. As previously reported, credit card debt had peaked at around $972 billion in 2008.

Source: InsideARM
